

PROGRAM NARRATIVE**471 Bank of North Dakota****Date:** 01/13/2011**Time:** 11:31:29**Program:** Bank of North Dakota Operations**Reporting level:** 00-471-100-00-00-00-00000000**Program Performance Measures**

In meeting BND's performance, there are three areas that we believe should be monitored: Financial performance, achieving BND's mission, and meeting legislative expectations.

1. Financial Performance - The Department of Financial Institutions(DFI) evaluates the safety and soundness of banks utilizing the "CAMELS" rating system. CAMELS is an acronym standing for: Capital, Asset Quality, Management, Earnings, Liquidity and funds management, and Sensitivity.
2. Meeting the Mission - To deliver quality, sound financial services that promote agriculture, commerce, and industry. We measure our success in achieving our mission by the quality and usage of our programs.
3. Meeting Legislative expectations - ND legislature has two distinct expectations of BND. They expect that BND will continue to be a major player in the economic evolution of the State of North Dakota and that BND can be a source of revenue for the State's General Fund. We believe that if we meet our mission and financial performance objectives, we will fulfill the expectations of the legislature.

Performance Measurement Tools:

Return on Average Assets: Return on assets for 2009, 2008, and 2007 were 1.57%, 1.86%. and 2.04%.

Return on Average Equity: Return on average equity for 2009, 2008, and 2007 were 23.80%, 27.01%, and 27.68%.

Leverage Ratio: The leverage ratio for 2009, 2008, and 2007 were 7.17%, 6.79%, and 7.19%. BND's benchmark is 8%.

Program Statistical Data

Lending services loan portfolio grew from \$2 billion at December 31, 2007 to \$2.7 billion at December 31, 2009. This represents a 35.3% growth rate in loans over the two year period. We provide lending services in four major areas: business, agriculture, student and home lending. All of these areas support diversification as BND's loan portfolio remains well-balanced with commercial loans accounting for 38 percent, student loans 34 percent, residential loans 18 percent and agricultural loans 10 percent.

Treasury services provides a federal funds program to approximately 100 North Dakota financial institutions. Treasury services provides safekeeping services to 82 North Dakota financial institutions with over \$2.3 billion of securities in custody. Treasury services also provides bond accounting for 37 North Dakota financial institutions. Within the Treasury services area, BND also provides trust services on 50 accounts with assets of \$168 million, and transfer agent, registrar, and other agency services to approximately 763 accounts.

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Banking services provide check clearing and correspondent bank account services to North Dakota financial institutions, state agencies, and political subdivisions. ACH and wire transfer services are also provided to correspondent banks.

Explanation of Program Costs

BND is a development and wholesale bank which generates revenue to fund its cost of operations and provide a return to the general fund.

Program Goals and Objectives**BND objectives :**

1. Develop partnerships that deliver quality programs and services to expand the economy of North Dakota.
2. Maintain capital strength and financial integrity of the Bank.
3. Generate a consistent financial return to the State of North Dakota.
4. Provide a culture that develops people and is a model of efficient business and government.

REQUEST DETAIL BY PROGRAM

471 Bank of North Dakota

Bill#: HB1014

Date: 01/13/2011

Biennium: 2011-2013

Time: 11:31:29

| Program: Bank of North Dakota Operations | | Reporting Level: 00-471-100-00-00-00-00000000 | | | |
|--|---------------------------------------|---|-----------------------------|---|----------------------------------|
| Description | Expenditures 2007-2009 Biennium | Present Budget 2009-2011 | Budget Request Change | Requested Budget 2011-2013 Biennium | Optional Request 2011-2013 |
| Capital Assets | | | | | |
| Land and Buildings | 5,377,279 | 0 | 0 | 0 | 0 |
| Equipment Over \$5000 | 491,910 | 255,000 | (123,000) | 132,000 | 0 |
| IT Equip/Sftware Over \$5000 | 984,433 | 1,200,000 | (66,000) | 1,134,000 | 0 |
| Total | 6,853,622 | 1,455,000 | (189,000) | 1,266,000 | 0 |
| Capital Assets | | | | | |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 6,853,622 | 1,455,000 | (189,000) | 1,266,000 | 0 |
| Total | 6,853,622 | 1,455,000 | (189,000) | 1,266,000 | 0 |
| PACE Fund | | | | | |
| Transfers Out | 8,000,000 | 8,000,000 | (2,000,000) | 6,000,000 | (282,000) |
| Total | 8,000,000 | 8,000,000 | (2,000,000) | 6,000,000 | (282,000) |
| PACE Fund | | | | | |
| General Fund | 8,000,000 | 8,000,000 | (2,000,000) | 6,000,000 | (282,000) |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 0 | 0 | 0 | 0 | 0 |
| Total | 8,000,000 | 8,000,000 | (2,000,000) | 6,000,000 | (282,000) |
| Agriculture PACE Prog. | | | | | |
| Transfers Out | 1,400,000 | 2,400,000 | (1,400,000) | 1,000,000 | 0 |
| Total | 1,400,000 | 2,400,000 | (1,400,000) | 1,000,000 | 0 |
| Agriculture PACE Prog. | | | | | |
| General Fund | 1,400,000 | 2,400,000 | (1,400,000) | 1,000,000 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 0 | 0 | 0 | 0 | 0 |
| Total | 1,400,000 | 2,400,000 | (1,400,000) | 1,000,000 | 0 |
| Beginning Farmer Prog. | | | | | |
| Transfers Out | 368,564 | 950,000 | 50,000 | 1,000,000 | 0 |
| Total | 368,564 | 950,000 | 50,000 | 1,000,000 | 0 |
| Beginning Farmer Prog. | | | | | |
| General Fund | 0 | 0 | 1,000,000 | 1,000,000 | 0 |

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|--|---------------------------------------|---|-----------------------------|---|----------------------------------|
| Description | Expenditures 2007-2009 Biennium | Present Budget 2009-2011 | Budget Request Change | Requested Budget 2011-2013 Biennium | Optional Request 2011-2013 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 368,564 | 950,000 | (950,000) | 0 | 0 |
| Total | 368,564 | 950,000 | 50,000 | 1,000,000 | 0 |
| Biofuels PACE | | | | | |
| Transfers Out | 4,200,000 | 700,000 | 300,000 | 1,000,000 | 0 |
| Total | 4,200,000 | 700,000 | 300,000 | 1,000,000 | 0 |
| Biofuels PACE | | | | | |
| General Fund | 4,200,000 | 700,000 | 300,000 | 1,000,000 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 0 | 0 | 0 | 0 | 0 |
| Total | 4,200,000 | 700,000 | 300,000 | 1,000,000 | 0 |
| BND Operations | | | | | |
| Salaries - Permanent | 13,680,327 | 16,829,586 | 396,097 | 17,225,683 | 0 |
| Temporary Salaries | 264,355 | 500,000 | 0 | 500,000 | 0 |
| Fringe Benefits | 4,996,141 | 6,533,288 | 99,424 | 6,632,712 | 0 |
| Travel | 299,582 | 416,000 | 26,000 | 442,000 | 0 |
| Supplies - IT Software | 485,286 | 525,000 | (30,000) | 495,000 | 0 |
| Supply/Material-Professional | 45,342 | 55,000 | 0 | 55,000 | 0 |
| Office Supplies | 379,068 | 470,000 | 0 | 470,000 | 0 |
| Postage | 953,078 | 1,045,000 | 175,000 | 1,220,000 | 0 |
| IT Equip Under \$5,000 | 452,485 | 350,000 | 80,000 | 430,000 | 0 |
| Other Equip Under \$5,000 | 1,064,337 | 100,000 | 0 | 100,000 | 0 |
| Utilities | 264,913 | 254,000 | (29,000) | 225,000 | 0 |
| Insurance | 32,687 | 70,000 | (20,000) | 50,000 | 0 |
| Rentals/Leases-Equip & Other | 64,679 | 81,000 | (26,000) | 55,000 | 0 |
| Repairs | 513,489 | 665,000 | (210,000) | 455,000 | 0 |
| IT - Data Processing | 3,174,244 | 3,600,000 | (950,000) | 2,650,000 | 0 |
| IT - Communications | 442,993 | 550,000 | 140,000 | 690,000 | 0 |
| IT Contractual Srvcs and Rprs | 1,458,698 | 2,550,000 | 1,326,000 | 3,876,000 | 0 |
| Professional Development | 558,451 | 575,000 | 175,000 | 750,000 | 0 |
| Operating Fees and Services | 875,707 | 1,221,400 | 1,921,357 | 3,142,757 | 0 |
| Fees - Professional Services | 1,166,372 | 1,522,000 | 43,000 | 1,565,000 | 0 |
| Special Line Other | 0 | 4,000,000 | (800,000) | 3,200,000 | 0 |
| Total | 31,172,234 | 41,912,274 | 2,316,878 | 44,229,152 | 0 |

BND Operations

REQUEST DETAIL BY PROGRAM

471 Bank of North Dakota

Bill#: HB1014

Date: 01/13/2011

Biennium: 2011-2013

Time: 11:31:29

| Program: Bank of North Dakota Operations | | Reporting Level: 00-471-100-00-00-00-00000000 | | | |
|--|---------------------------------------|---|-----------------------------|---|----------------------------------|
| Description | Expenditures 2007-2009 Biennium | Present Budget 2009-2011 | Budget Request Change | Requested Budget 2011-2013 Biennium | Optional Request 2011-2013 |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 3,000,000 | 3,000,000 | 0 |
| Special Funds | 31,172,234 | 41,912,274 | (683,122) | 41,229,152 | 0 |
| Total | 31,172,234 | 41,912,274 | 2,316,878 | 44,229,152 | 0 |
| | | | | | |
| Total Expenditures | 51,994,420 | 55,417,274 | (922,122) | 54,495,152 | (282,000) |
| | | | | | |
| Funding Sources | | | | | |
| | | | | | |
| General Fund | | | | | |
| Total | 13,600,000 | 11,100,000 | (2,100,000) | 9,000,000 | (282,000) |
| | | | | | |
| Federal Funds | | | | | |
| R1261 NDCAN | 0 | 0 | 3,000,000 | 3,000,000 | 0 |
| Total | 0 | 0 | 3,000,000 | 3,000,000 | 0 |
| | | | | | |
| Special Funds | | | | | |
| 973 Beg Farmer Revolving Loan Fund | 368,564 | 950,000 | (950,000) | 0 | 0 |
| 998 Bank of North Dakota | 38,025,856 | 43,367,274 | (872,122) | 42,495,152 | 0 |
| Total | 38,394,420 | 44,317,274 | (1,822,122) | 42,495,152 | 0 |
| | | | | | |
| Total Funding Sources | 51,994,420 | 55,417,274 | (922,122) | 54,495,152 | (282,000) |
| | | | | | |
| FTE Employees | 176.50 | 176.50 | 0.00 | 176.50 | 0.00 |

CHANGE PACKAGE DETAIL

471 Bank of North Dakota

Bill#: HB1014

Date: 01/13/2011

Biennium: 2011-2013

Time: 11:31:29

| | |
|--|---|
| Program: Bank of North Dakota Operations | Reporting Level: 00-471-100-00-00-00-00000000 |
|--|---|

| Description | Priority | FTE | General Fund | Federal Funds | Special Funds | Total Funds |
|-------------|----------|-----|--------------|---------------|---------------|-------------|
|-------------|----------|-----|--------------|---------------|---------------|-------------|

Base Budget Changes**One Time Budget Changes**

| | | | | | | |
|--------------------------------------|--|-------------|--------------------|----------|----------|--------------------|
| A-E 5 One Time Budget Change | | 0.00 | (1,700,000) | 0 | 0 | (1,700,000) |
| Total One Time Budget Changes | | 0.00 | (1,700,000) | 0 | 0 | (1,700,000) |

Ongoing Budget Changes

| | | | | | | |
|--|--|-------------|--------------------|------------------|--------------------|------------------|
| A-A 1 Purchase or Replacement of IT Equipment | | 0.00 | 0 | 0 | 1,134,000 | 1,134,000 |
| A-A 2 Changes in Operating Expenses | | 0.00 | 0 | 2,424,257 | (602,900) | 1,821,357 |
| A-A 3 Purchase or Replacement of Capital Equip | | 0.00 | 0 | 0 | 132,000 | 132,000 |
| A-A 6 Base Budget Change | | 0.00 | (400,000) | 0 | (950,000) | (1,350,000) |
| A-F 4 Remove Current Biennium Capital Assets | | 0.00 | 0 | 0 | (1,455,000) | (1,455,000) |
| Base Payroll Change | | 0.00 | 0 | 575,743 | (80,222) | 495,521 |
| Total Ongoing Budget Changes | | 0.00 | (400,000) | 3,000,000 | (1,822,122) | 777,878 |
| Total Base Budget Changes | | 0.00 | (2,100,000) | 3,000,000 | (1,822,122) | (922,122) |

Optional Savings Changes

| | | | | | | |
|---------------------------------------|---|-------------|------------------|----------|----------|------------------|
| A-G 1 Optional Savings | 1 | 0.00 | (282,000) | 0 | 0 | (282,000) |
| Total Optional Savings Changes | | 0.00 | (282,000) | 0 | 0 | (282,000) |